

Soviets Drop Approval of U.S. Exporter

Palo Alto Firm Loses Accreditation; Called Intelligence Front

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MOSCOW—A California firm specializing in scientific equipment has been accused of being a front for U.S. intelligence services and has become the first American company to lose its accreditation for doing business in the Soviet Union.

The accusation against the firm, California International Trade (CIT) of Palo Alto, Calif., was carried by Izvestia, the official government newspaper. A spokesman for the firm said the charge is "completely false." The company's president and sole owner, Ralph Gregorian of Palo Alto, also was accused in the article of selling used or obsolete equipment and overcharging Soviet customers.

"The company position is that the charges are false individually and collectively but beyond that I am not prepared to go," Michael Herzen, a vice president of CIT from Redwood City, Calif., said in an interview here.

Shocked by Refusal

The Soviet refusal to renew the firm's accreditation, which was granted only two years ago, came as a complete shock, Herzen said.

For the nine years before CIT received accreditation, it was able to operate here legally, selling medical and laboratory equipment, but without the special privileges enjoyed by the 23 other American firms who are accredited by the government.

Accreditation allows a firm to rent office space, hire Soviet em-

ployees, buy a car, have its own telex and copying machine and enjoy other privileges denied to firms without this Soviet stamp of approval.

Even though foreign firms may do business in the Soviet Union despite the inconvenience, Izvestia's sharp personal attack on Gregorian made it clear that the firm will not be able to operate at all in the Soviet Union in the future.

"We're out of business here," Herzen said, adding that the company had three months to close its office and wind up its affairs.

It is believed that Gregorian may seek the help of U.S. Undersecretary of Commerce Lionel Olmer to try and regain accreditation. Olmer is scheduled to head a U.S. trade delegation coming to Moscow in January. However, the chances of reversing the decision—or the condemnation of Gregorian—seem remote, according to American business officials here.

State Department officials had no immediate comment on the Izvestia charges or CIT. The Central Intelligence Agency could not be reached for comment.

(Gregorian, reached by telephone at company headquarters in Palo Alto, said his company buys and exports mostly medical and laboratory equipment, and does about two-thirds of its business in the Soviet Union. Losing that business "will be a blow," he acknowledged. His firm, in its best year, had about \$10 million in sales, he said.

(Gregorian said his company, which employs 12 workers in Palo Alto, two on the East Coast and five in its Moscow office, represents some of the "finest companies" in the United States. He said he doesn't know why he was singled out personally for attack by Izvestia.

("We had good relations," he said, "then all of a sudden. . . . Why me? I don't know. . . . We sell medical, scientific and lab equipment—nothing high-tech, no computers, no chips."

(The company received a Telex from the Soviet Union on Oct. 10, he said, putting it on notice that its accreditation was to be withdrawn. "It was rather blunt," he said, "but it contained no invective." The Izvestia attack caught him by surprise, he said.) Gregorian was born in the city now known as Volgograd—formerly Stalingrad—but moved to the United States as young boy. He speaks Russian

fluently and has visited the Soviet Union more than 65 times, an associate said.

The Izvestia article charged that he has been playing a double game, posing as a business executive but trying to make contacts with the same sort of Soviet officials who, it said, have been the targets of U.S. intelligence organizations.

Izvestia even gave a sinister interpretation to Gregorian's operation of hospitality suites.

At international trade fairs, the article said, Gregorian invited officials to private rooms where he "devoted his time not to trading negotiations, but rather to establishing unofficial contacts and ferreting out data and information."

"The double-faced trader from America has lost credence with his Soviet partners," the Izvestia article concluded.

Times staff writer Bruce Keppel also contributed to this report.